



EXECUTIVE MEMBER DECISION

REPORT OF:	Executive Member for Resources
LEAD OFFICERS:	Director of Digital & Business Change
DATE:	08 th November 2018

PORTFOLIO/S AFFECTED:	Resources
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WARD/S AFFECTED:	All
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SUBJECT: Microsoft agreement including Office 365.

1. EXECUTIVE SUMMARY

This report seeks approval to replace the current Microsoft Enterprise agreement for the Council which expires on the 30th June 2019 and to move the Council's email estate to Office 365 on a 3 year contract. The current agreement provides licencing for Council devices to utilise Windows software on its estate.

2. RECOMMENDATIONS

That the Executive Member:

Approves awarding the contract for the replacement of the current Microsoft Licensing Agreement to include Office 365 with the likely financial implications associated with this.

3. BACKGROUND

The Council previously held a perpetual agreement for Microsoft end user device licences covering Windows, Office & Client Access Licences (CALs) (required to access servers) which expired in 2016. At this time the large discount on perpetual licenses was removed pushing organisations down the subscription route, moving the expenditure from capital funding to revenue. The Executive Board agreed in April 2016 to the change in funding, with a budget increase to the department rising to £167k in the 2018/19 financial year. Subsequent to this, following discussion with the Head of Licencing at Crown Commercial Services, a decision was made to 'sweat' the majority of licence assets, just retain Windows licences instead and re-visit the licencing position in 2018/19, delaying the budget increase. The latest pricing agreements between the Government and Microsoft have now seen the cost for on-premise licences increase considerably with preference being given to Cloud licencing with Office 365.

The department is currently in a position where it needs to replace the current Microsoft Exchange service which provides e-mail capability, due to the hardware going 'out of life' and the software due to become unsupported. This is a critical service for the council and as such there is no "do nothing" option, as this eventually would leave the Council's email service vulnerable to Cyber threats and service outages. There is a further requirement for an improved secure e-mail solution to allow the Council to continue to manage personal and sensitive data after it has been shared and also to replace the current, outgoing GCSX secure mail solution.

The department has therefore evaluated two options over a 5 year period;

Option 1 – Remain on premise

Upgrade and migrate to a new version of Microsoft Exchange

Purchase additional storage for new solution

Implementation of a new secure e-mail solution

Retaining existing on premise solutions for mail filtering with removal of mail archiving after year one.

Retain Windows licences for corporate devices

Entering into a new agreement to cover Microsoft server licences in year 3

Option 2 – Move to Office 365

Migration of all Council staff to the Office 365 platform

Purchase the Core CAL bridge which will allow the Council to cover server licences more cheaply.

Implementation of Microsoft secure email for 700 users (for roles handling personal and sensitive information)

Retain Windows licences for corporate devices

Anticipated costs for both solutions are outlined below; the costs for licences after Year 3 are included at the current price list and will be subject to increase following the next pricing review;

Option 1		Year 1 (£)	Year 2 (£)	Year 3 (£)	Year 4 (£)	Year 5 (£)	Total (£)
On Premise	Capital	236,796.00	0.00	0.00	0.00	0.00	236,796.00
	Revenue	149,287.00	134,766.00	195,596.00	195,596.00	195,596.00	870,841.00
	Total	386,083.00	134,766.00	195,596.00	195,596.00	195,596.00	1,107,637.00
Option 2		Year 1 (£)	Year 2 (£)	Year 3 (£)	Year 4 (£)	Year 5 (£)	Total (£)
Office 365 E1	Capital	42,813.00	0.00	0.00	0.00	0.00	42,813.00
	Revenue	162,466.56	162,466.56	162,466.56	162,466.56	162,466.56	812,332.80
	Total	205,279.56	162,466.56	162,466.56	162,466.56	162,466.56	855,145.80

Aside from any financial benefit, there are additional benefits with Office 365 around partnership working and data sharing that will inevitably lead to further savings and efficiencies in the future. It is therefore recommended that the Council proceed with the migration to Office 365.

Microsoft have released an early commitment scheme which will allow access to the September pricing for licences up until the start of December, costs within this paper are based on these costs. If the Council does not commit by this date the new price book will apply which would result in a cost increase of £15k per annum.

Pricing for the new agreement is set by government as part of the CTA (Cloud Transition Agreement) with Microsoft, the department is planning to execute the agreement with Phoenix Software Limited through the KCS framework with the supplier providing the licences at cost.

4. KEY ISSUES & RISKS

- Over a five year period there is a cost saving to migrating the service to Office 365.
- Strategically migration to Office 365 aligns the council with its partners, enabling capability for managed and secure data sharing across organisations.
- Support for the Office 365 service provided 24/7.
- Benefits around GDPR compliance from an increased security infrastructure.
- Migration to Office 365 allows migration of personal and shared data folders to the cloud infrastructure at no additional cost. This will result in significant further savings in network

storage in the future.

- Adoption of Office 365 will provide future expansion opportunities which may further reduce costs to the council or provide more resilient and accessible services to the council. These include mobile device management (Intune), remote storage (One Drive), hosted applications (Productivity Suite) and bring your own device (Hardware Savings).
- Upgrading to Office 365 will provide seamless upgrades in the future with full feature set availability. Some on premise features are to be deprecated from Office 2019.
- The pricing for Microsoft would be set for the next 3 years, the Council will be subject to any future increases in costs to licences.

5. POLICY IMPLICATIONS

Having the facility to update to the latest software versions is a key enabler for the Council. The *'Customer Access and Digital Services Strategy'* states BwD has committed to *"Support and develop staff with the necessary digital skills to allow technology to be used effectively within the organisation, ensuring that value for money is maximised and services are delivered efficiently."*

6. FINANCIAL IMPLICATIONS

The breakdown of the approximate capital and revenue costs for the new agreement over the next 3 years as noted above are;

	Capital Costs	Annual reveue Costs
Software Licences	3213	
ITM&G Resources	22500	
Third party implementation support	17100	
Windows Licences		59766
Office 365		68044
Secure email for 700 users		19704
CAL licences		14952
Total	42813	162466

The department already has an existing budget for Windows and by implementing Office 365 will be able to remove some existing solutions from the estate as follows;

Windows Licences	30000
McAfee E-mail licences	25000
Mail archiving costs	14000
GCSX mail	13000
	82000

Although this new agreement will commence in July 2019 the department will have a phased approach for the implementation running up to this date to ensure that the Council will be fully utilising its licence commitment by the end of June 2019. A cash limit revenue increase of £70k will be required in the 2019/20 financial year rising to £80k in the 2020/21 and subsequent financial years; in addition, £43k will be required for the project within the Capital Programme.

7. LEGAL IMPLICATIONS

The procurement process shall be in accordance with the Public Contracts Regulations 2015 and the Council's Contract Procurement Procedure Rules.

All contracts will be in a form approved by legal officers in the Commissioning and Procurement team.

8. RESOURCE IMPLICATIONS

There will be an impact on the existing resources within ITM&G currently estimated as approx. 100 man days, this will be factored into existing work plans.

There will be some impact to the rest of the organisation in familiarising themselves in the use of Office 365.

9. EQUALITY AND HEALTH IMPLICATIONS

Please select one of the options below. Where appropriate please include the hyperlink to the EIA.

Option 1 Equality Impact Assessment (EIA) not required – the EIA checklist has been completed.

Option 2 In determining this matter the Executive Member needs to consider the EIA associated with this item in advance of making the decision. (*insert EIA link here*)

Option 3 In determining this matter the Executive Board Members need to consider the EIA associated with this item in advance of making the decision. (*insert EIA attachment*)

10. CONSULTATIONS

No public consultations have occurred.

11. STATEMENT OF COMPLIANCE

The recommendations are made further to advice from the Monitoring Officer and the Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation and an equality analysis and impact assessment has been considered. The recommendations reflect the core principles of good governance set out in the Council's Code of Corporate Governance.

12. DECLARATION OF INTEREST

All Declarations of Interest of any Executive Member consulted and note of any dispensation granted by the Chief Executive will be recorded and published if applicable.

VERSION:	1
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CONTACT OFFICER:	Peter Hughes
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DATE:	08/11/2018
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BACKGROUND PAPER:	None.
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